

CITY OF SAN DIEGO
OFFICE OF THE INDEPENDENT BUDGET ANALYST

SUMMER SNAPSHOT OF REPORTS AND ACTIVITIES FOR JUNE & JULY 2012

Highlights of Major Reports Issued in June & July:

Report 12-24 “IBA Review of the FY 2013 May Revise and Recommended Revisions to the Mayor’s FY 2013 Budget”

Following the Mayor’s release of the May Revision to his FY 2013 Proposed Budget, our office updated the Council priority matrix, previously included in IBA Report 12-16, to highlight additional Council priorities that were included. This updated matrix, which includes 28 specific priorities, also incorporates corresponding IBA comments for each priority, providing informational detail or status updates on issues in five different priority areas.

In addition to this matrix, Report 12-24 recaps the significant revenue and expenditure revisions that were made in the Mayor’s May Revise. Our office proposes recommendations for additional budget revisions for both ongoing and one-time resources and expenditures. These are important to define separately in order to remain consistent with Council adopted Structural Budget Deficit Elimination Guiding Principles that ongoing and one-time expenditures be funded using corresponding resource types. We also note in this report that upon approval of our recommendations, as described below, there will be no negative structural impacts to the FY 2013 Adopted Budget.

The recommendations in this report are derived from the priorities expressed in the Councilmembers’ June 1, 2012 collective memos to our office, Council budget hearings, as well as our analysis of the FY 2013 Proposed Budget, FY 2013 May Revise, and the FY 2012 Year-End Budget Monitoring Report.

| IBA Recommended Revisions for Ongoing and One-Time Expenditures and Resources | | | |
|---|-------------------------|--|-----------|
| ONGOING | | ONE-TIME | |
| Resources | | | |
| Increase TOT growth from 5% to 5.5% | 739,000 | Revenue recovery audit | 350,000 |
| Increase sales tax growth from 5.7% to 6% | 619,000 | | |
| Total | \$1,358,000 | Total | \$350,000 |
| Expenditures | | | |
| 5 Police civilians (half year) | 212,000 | Neil Good Day Center | 250,000 |
| 3 Relief Lifeguards | 291,000 | Hire-A-Youth | 100,000 |
| Lifeguard wellness program | 81,000 | (to match Council CPPS funding of \$100,000) | |
| Economic Development Seed Money | 250,000 | | |
| Teen Nights (May/June 2013) | 40,000 | | |
| Library Circuit- Councilmember Zapf funding of \$75,000 | 0 | | |
| Internal Controls Audit | 0 - 150,000 | | |
| Auditor Software, close out audits | 77,000 | | |
| Total | \$951,000 - \$1,101,000 | Total | \$350,000 |
| Remaining Funding | \$257,000 - \$407,000 | | \$0 |

As the table above illustrates, we recommended that the final FY 2013 budget increase the TOT growth rate by 0.5%, for an additional \$739,000, and increase sales tax growth by 0.3%, for an ad-

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Reports Highlighted for June & July 2012:

Report No. 12-24 (6/6/12)

Attachment 1 (6/6/12)

Attachment 2 (6/6/12)

Attachment 3 (6/6/12)

“IBA Review of the FY 2013 May Revise and Recommended Revisions to the Mayor’s FY 2013 Budget”

Report No. 12-28 (6/22/12)

Attachment 1 (6/22/12)

“Restructuring and Combining CCDC and SEDC Into Civic San Diego”

Report No. 12-31 (7/6/12)

Attachment 1 (7/6/12)

“Balboa Park Plaza de Panama, Circulation and Parking Structure Project and Financing Plan”



ditional \$619,000. Based on Council priorities, we recommended that this additional ongoing funding of \$1,358,000 be used for the restoration of 5 Police civilian positions (half-year), addition of relief lifeguards, a lifeguard wellness program, investment to explore new funding sources for economic development and redevelopment, funding for Teen Nights programs, additional costs for the San Diego Circuit (County Library Cooperation), funding for an internal controls audit, and resources for auditor software and closeout audits. These expenditures equate to \$951,000 - \$1,101,000, leaving remaining funding between \$257,000 - \$407,000.

Our office also identified an additional \$350,000 from two revenue recovery audits concluding in FY 2013 that may be used as a one-time resource. Based on Council priorities, we recommended that these funds be expended on one-time needs for the Neil Good Day Center (\$250,000) and funding for the Workforce Partnership's Hire-A-Youth Program (\$100,000).

In addition to these recommendations, Report 12-24 highlights other significant City issues that pertain to the City's FY 2013 Adopted Budget. We discuss the necessity for preserving funds to mitigate potential impacts to the General Fund as a result of redevelopment dissolution, the FY 2013 projected ending reserve balance, and outstanding public safety issues (also addressed in IBA Report 12-16).

On June 11, 2012 Council voted 7-1 to accept the IBA's recommendations to approve the Mayor's FY 2013 Proposed Budget as issued on April 11, 2012 and as amended by the Mayor's May Revise issued on May 23, 2012. This vote also included the approval of the IBA's recommended FY 2013 budget revisions, as previously described, for ongoing and one-time resources and expenditures.

Report No. 12-28 "Restructuring and Combining CCDC and SEDC Into Civic San Diego"

In IBA Report 12-28 our office highlighted key changes of the restructuring and transition of the Centre City Development Corporation (CCDC) and the Southeastern Economic Development Corporation (SEDC). CCDC would transition into a non-profit public benefit corporation called Civic San Diego with the City as the sole member, and SEDC would become a subsidiary corporation of Civic San Diego. Our office provided a review of the proposed revisions to the CCDC and SEDC Bylaws, Articles of Incorporation, and newly developed consulting agreements to ensure that the language relating to accountability and oversight was retained. As compared to revisions made to CCDC's and SEDC's Bylaws and Operating Agreements in March 2010, we found that the proposed changes generally address the previous recommendations and, in some cases, include more specific or updated language.

Additionally, we provided an assessment of the Proposed FY 2013 Budget for the restructured non-profit corporation, Civic San Diego. The total Proposed Budget of \$5.9 million for Civic San Diego is a reduction of about \$4.0 million, which is 40% less than the combined budgets of CCDC and SEDC in FY 2012. The decrease in funding is a result of the dissolution of the former Redevelopment Agency and is also appropriately sized to operate within its new purpose, function, and funding sources. Funding for the new Civic San Diego functions include about \$4.5 million (76%) for continuing the existing support provided by CCDC and SEDC to the Successor Agency, including administration and project management. This portion is expected to be reduced significantly over time as projects are completed and the former Redevelopment Agency winds down. Other funding includes about \$960,000 (16%) for planning and permitting functions previously conducted by CCDC, approximately \$358,000 (6%) to manage the Downtown Parking District, and about \$80,000 in seed money for economic development activities in the project areas formerly serviced by CCDC and SEDC.

On June 25, 2012, Council voted 7-1 to approve the recommendations outlined in this report which included approving the revisions to CCDC's and SEDC's Articles of Incorporation and Bylaws, Certificate of Bylaws for Civic San Diego and SEDC, the agreements for Consulting Services with Civic San Diego, and the FY

2013 Proposed Budget for Civic San Diego. In addition to the Council approved recommendations, our office also recommended that Council consider requiring that a lobbying provision be included in Civic San Diego's Corporate Policies, and that Civic San Diego provide an annual or biannual report on its budget and activities to the Economic Development and Strategies Committee (ED&S).

Report No. 12-31 "Balboa Park Plaza de Panama, Circulation and Parking Structure Project and Financing Plan"

In preparation for the July 9, 2012 City Council meeting our office reviewed the revenue and expense projections/assumptions of the proposed Balboa Park Plaza de Panama, Circulation and Parking Structure Project up for Council consideration. Because this was the only project to be considered at this Council meeting, IBA Report 12-31 provided a detailed review of the revenue and expense projections and the proposed financing plan specifically related to this project, although the Development Services Department had previously reviewed additional alternatives. This report provides a brief overview of the project's details, and cites that project funding will be provided by the Plaza de Panama Committee with the exception of a contribution from the City for the construction of the Organ Pavilion Parking Structure. It is proposed that the funding for the parking structure be financed by \$16.5 million in General Fund-backed lease revenue bonds, which would be paid for by the revenues generated by the parking structure. Due to the critical nature of the parking revenue and expense projections to the feasibility of the project, this report focuses on revenue and expense projections/assumptions relating to the parking structure, since fluctuations in such could result in a negative impact to the General Fund.

In this report's analysis our office reviewed several studies relating to parking within Balboa Park. In review of the revenue and expense projections, we confirmed that they are valid based upon industry standards and specific assumptions made within these studies. However, a few potential changes in these assumptions relating to the availability of free parking, policy decisions about special events charges, the decision to include 24/7 security for the parking structure, and the inclusion of annual expenses for Park and Recreation to maintain the rooftop park, may have a negative impact on the General Fund. Specifically, the studies' preliminary analysis based on the original assumptions (shown below in the *Keyser Marston Study* table) cites a net operating income of \$1,317,900 for the parking structure. The revised assumptions that our office suggested as potentially impacting projected revenue and expenses decrease the parking structure's net operating income to \$133,100. With an estimated annual debt service payment of \$1,100,886 (based on a \$16.5 million bond issuance) there is a fund surplus of \$217,014 based on the original assumptions. However, the General Fund may be liable for up to \$967,786 annually based on the revised assumptions. See the chart below:

| KEYSER MARSTON STUDY Annual Projections | | REVISED ASSUMPTIONS Annual Projections | |
|---|--------------------|---|--------------------|
| Garage Revenues | | Garage Revenues | |
| Visitor | \$1,933,600 | <i>Visitor</i> | <i>\$1,483,600</i> |
| Special event | \$364,000 | <i>Special event</i> | <i>\$154,000</i> |
| Monthly parking | \$60,000 | Monthly parking | \$60,000 |
| Valet | \$118,800 | Valet | \$118,800 |
| | \$2,476,400 | | \$1,816,400 |
| Operating Expenses | | Operating Expenses | |
| Garage | \$615,300 | Garage | \$615,300 |
| Tram | \$543,000 | Tram | \$543,000 |
| | \$1,158,300 | <i>24/7 Security</i> | <i>\$175,000</i> |
| | | <i>Additional Park O&M</i> | <i>\$350,000</i> |
| | | | \$1,683,300 |
| Net Operating Income | \$1,317,900 | Net Operating Income | \$133,100 |
| Debt Service Payment* | \$1,100,886 | Debt Service Payment* | \$1,100,886 |
| Available Funds | \$ 217,014 | Available Funds | (\$967,786) |
| *Debt Service payment estimated on \$16.5 million bond issuance | | *Debt Service payment estimated on \$16.5 million bond issuance | |

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In addition to the revenue and expense projection analysis, we address the potential affects that a parking management plan for employees may have on availability of free parking within Balboa Park. Although this concept is not part of the proposed project, it is discussed in previous parking studies. The IBA cites that this type of plan would address the issue of removing vehicles from the Plaza de Panama, and implementation of an employee management plan could potentially have the same impact of adding additional parking in the Prado, reduce the demand for the parking structure, and better utilize current resources.

City Council voted 6-1 to approve the proposed Plaza de Panama project and corresponding financing plan at the July 9, 2012 meeting.

Other Reports Issued in June & July 2012:

Report No. 12-22 (6/6/12)

“FY 2012 Year-End Budget Adjustments and Year-End Budget Monitoring”

Report 12-23 (6/5/12)**Attachment 1 (6/5/12)****Attachment 2 (6/5/12)**

“Process for Appointing a New Public Member to the City’s Audit Committee”

Report 12-25 (6/8/12)

“Update on Discussion of How to Best Address Audits of the City’s Internal Controls”

Report 12-26 (6/7/12)**Attachment 1 (6/7/12)**

“FY 2013 Councilmember Budget Priority Memoranda”

Report 12-27REV (6/22/12)**Attachment 1 (6/22/12)****Attachment 2 (6/22/12)****Attachment 3 (6/22/12)**

“Response to Grand Jury Report Titled ‘San Diego City Street Repair, Funding & Reforms’”

Report 12-29 (6/22/12)**Attachment 1 (6/22/12)****Attachment 2 (6/22/12)**

“Analysis of Responses to Questions related to the Decision to Allow the Convention Center to Contract for the Provisions of Sales & Marketing Services for Long Term Events”

Report 12-30REV (7/19/12)**Attachment 1REV (7/19/12)****Attachment 2REV (7/19/12)**

“Proposed FY 2013 Statement of Budgetary Principles”

Report 12-32 (7/23/12)

“AB 1484 True-Up Payment and Required Asset Transfers”

Report 12-33 (7/30/12)

“ROPS 3, AB 1484 Provision to Remit Unobligated Fund Balances, and New Market Tax Credits”



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